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RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 3054  
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RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 2743  
RUEHNH/AMCONSUL NAHA IMMEDIATE 5091  
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 6533  
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 3294  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE  
RUEHIN/AIT TAIPEI IMMEDIATE 7258  
RUEAIIA/CIA WASHDC IMMEDIATE  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE  
RHEFDIA/DIA WASHINGTON DC IMMEDIATE  
RHHMUNA/HQ USPACOM HONOLULU HI IMMEDIATE  
RHEHAAA/NSC WASHDC IMMEDIATE  
RUEATRS/TREASURY DEPT WASHDC IMMEDIATE  
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000490

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [JA](#)

SUBJECT: OZAWA CRIES CONSPIRACY; VOWS TO STAY

REF: TOKYO 410

Classified By: CDA James P. Zumwalt, reasons 1.4(b),(d).

¶1. (C) Summary: Opposition DPJ President Ozawa is on the defensive after the arrest of one of his political secretaries on charges of accepting illegal campaign contributions. Ozawa has denied knowledge of any wrongdoing, suggesting that the investigation is politically motivated, and says he will remain in his position as party leader. DPJ executives have supported him publicly, but some DPJ lawmakers are said to be calling quietly for him to step down before he damages the party's electoral prospects. Ruling coalition leaders have taken a cautious approach for now, recognizing their own vulnerability on campaign finance issues. PM Aso has said the incident will have no impact on the timing of the next Lower House election, despite widespread media speculation that the ruling coalition will attempt to seize the offensive. End summary.

Ozawa Secretary Alleged to Have Accepted Corporate Money

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¶2. (C) Officials from the Tokyo District Public Prosecutors office raided the private office of Democratic Party of Japan (DPJ) President Ichiro Ozawa on March 3, arresting his political secretary Takanori Okubo and removing evidence to substantiate the receipt of illegal campaign contributions from the scandal-tainted Nishimatsu Construction Co. Corporate donations are prohibited under the Public Funds Control Law, unless they are made to a political party or political fund-management organization. Investigators claim that Nishimatsu used dummy entities to funnel corporate money disguised as employee contributions to two of Ozawa's support organizations.

¶3. (C) Records are purported to show that one Ozawa support group, the Tokyo-based "Rikuzankai," received the equivalent of approximately USD 140,000 from the two dummy organizations during the years 2004-2006. A local support group in Ozawa's electoral district received funds equal to an additional USD 100,000. Okubo, a publicly funded political secretary and former local elected official from the same district, is accused of receiving and accounting for the bulk of the funds. The two Nishimatsu-funded dummy organizations ceased operations in 2006, but press reports allege that over the

years Ozawa may have received closer to USD 1.8 million from Nishimatsu, starting in 1995.

#### Ozawa Cries Foul, Refuses to Step Down

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14. (C) Ozawa reportedly told party executives on March 3 that he considered the donations to be "personal contributions," but that he would return the money if it was found to be illegal. In a press conference on March 4, Ozawa said there is "absolutely no problem" with the contributions and indicated that he had no intention of stepping down from his party leadership post to take responsibility for his secretary's arrest. "I have nothing to be blamed for," he said, denying any knowledge that the funds had come from Nishimatsu, "and my secretary dealt with these funds in accordance with the law." "If we allow the public authorities to exercise their power on their own terms, we cannot protect our human rights and it will darken our society," he intoned, hinting at a possible political motive for the investigation. Other DPJ executives quickly jumped to Ozawa's defense. "There must be a conspiracy," DPJ Secretary General Yukio Hatoyama agreed in his own press statement. DPJ Diet Affairs Chief Kenji Yamaoka railed against the "impermissible use of political power," calling it "a sign of the approaching end" for the ruling coalition.

15. (C) Prosecutors denied Ozawa's accusations, assuring the press on March 4 that they were not politically motivated and had investigated the fraudulent funds in a "straightforward"

TOKYO 00000490 002 OF 002

manner. "Given the problems with the donation," they added, "we have determined that we cannot turn a blind eye out of political considerations." Investigators refused to comment on other potential political targets in the Nishimatsu probe, but names such as former Prime Minister Yoshiro Mori and Minister of Economy, Trade and Industry Toshihiro Nikai have already begun to emerge in the press. Ozawa is widely reputed to have deep connections to construction interests, dating back to his time as right-hand man to former LDP power-broker Kanemaru Shin. An Embassy contact speculated that authorities may have accelerated the investigation in order to beat the statute of limitations.

16. (C) Media reporting in the aftermath of Okubo's arrest has focused on the implications for Ozawa's leadership and the electoral prospects of the DPJ. The arrest comes at a bad time for Ozawa. He has been criticized roundly in the press and by members of every political party -- including his own -- for his provocative comments concerning the U.S. military presence in Japan. Even if he survives the investigation, some of our contacts say, his position will inevitably weaken within the DPJ, re-energizing anti-Ozawa elements and opening the door to leadership struggles. Some DPJ lawmakers have reportedly called quietly for Ozawa to step down quickly, to avoid a negative impact on public perceptions of the DPJ. DPJ Secretary General Yukio Hatoyama expressed a cautious view on March 3, telling the press that the issue "does not immediately require a judgment." Lawmakers from the other opposition parties professed patience as well while they wait for Ozawa to fully explain the situation. Political commentators have noted that Ozawa should be held to the highest standard, since he is campaigning on the slogan of political reform.

17. (C) Some speculate that the ruling coalition will use this opportunity to dissolve the Lower House quickly for a snap election, hoping to put the DPJ on the defensive. Embassy contacts note, however, that the LDP will be reluctant to make money scandals the focus of the campaign, given their own vulnerabilities in that regard. A Komeito lawmaker told the Embassy that the ruling coalition had mixed feelings about Ozawa stepping down, noting concerns that Ozawa could be replaced by former DPJ President Katsuya Okada, a "very clean" politician and the "only other DPJ leader capable of

holding the party together." Prime Minister Taro Aso has been measured in his response, reminding reporters on March 3 that his primary focus is the economy, and that the arrest "will not affect the timing for the dissolution of the Lower House."  
ZUMWALT